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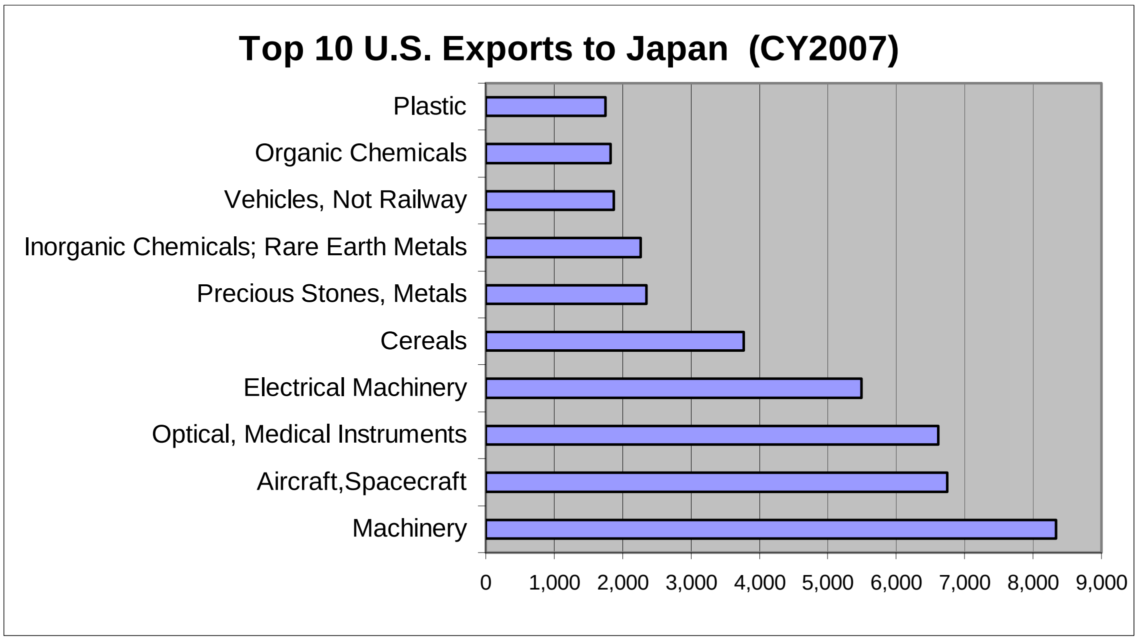
Chapter 4: Leading Sectors for U.S. Export and Investment

- Agricultural Sector

Commercial Sectors

There are a number of sectors that offer significant opportunity for U.S. exports to Japan. The following chart highlights the top ten categories of U.S. exports to Japan in 2007.



In addition to the market segments outlined below, the Commercial Service has also identified the following emerging sectors as offering additional export opportunity for U.S. companies.

Smart Phone Market

According to the Tokyo-based Research on Asia (ROA) Group, smart phone sales in Japan have grown to 600,000 units in 2006 up from 100,000 units in 2005 as Japanese corporations have started to deploy smart phones. Sales are expected to rise to 6,000,000 units by 2010 and will represent 13% of total mobile phone sales in Japan.

Wireless Broadband

Mobile WiMAX, the next generation mobile broadband, will launch in Japan in 2009. According to Wireless Broadband Planning, the WiMAX operator in Japan, the total number of Mobile WiMAX service subscribers in Japan will be 5.6 million by 2013 with total sales of $180 million.

Nanotechnology

In March 2006, the Japanese government designated Nanotechnology and Materials as one of four fields in science and technology that will receive prioritized allocation of national resources until 2010. According to a March 2006 METI report the total Japanese market for nanotechnology products was $25.5 billion in 2005. The market is projected to grow to $34 billion by 2010. Some of the Japanese government nanotechnology projects are in nano-IT devices, nano-physics, nano-materials, nano-processes, nanobiotechnology, metrology and nano implications.

Nanobiotechnology

According to Mizuho Corporate Bank Ltd. the Japanese nanobiotechnology market is expected to increase by 370% by 2010 and to be worth $3.5 billion. Areas with the best growth prospects include drug delivery, imaging agents, biosensors and nanobio materials for regenerative medicine. Japanese nanobiotechnology is still very much in the formative stages with research and development (R&D) underway.

Safety and Security

Even though the crime rate is falling, the public's concern over security continues to rise. Japanese security equipment and service market is expected to sustain industry growth in the coming years. Armor related products, NBC preparedness equipment and detection systems are expected to have good export opportunities, as U.S. technological leadership in those areas is highly regarded. Based on industry sources, products such as digital CCTV recorders, biometrics identification and contraband detectors will remain popular. Though it is a mature sector, according to Fuji Keizai Ltd. the Japanese security equipment market is expected to increase 32% by 2010 to be worth $5.67 billion.

Environmental Remediation

The Japanese version of the Superfund Act was first introduced in February 2002. Though the law is not strict in terms of legal enforcement of soil remediation, companies involved in real estate transactions are increasingly concerned that land is free from contamination. Based upon surveys by the Japan Geo-Environmental Protection Center, the 2007 the Japan market for soil and engineering services will be over $2.6 Billion. Consequently, the market offers opportunity for U.S. companies, particularly in the planning, research and design of soil remediation engineering services.

Broadband

Japan's Ministry of Internal Affairs and Communications (MIC) is promoting the penetration of broadband use under its "Next Generation Broadband Strategy 2010." The strategy includes a target list of services that could benefit from more efficient use of broadband, namely: medical: welfare, tourism, education and employment services. Japan's broadband market is continuously growing. According to MIC, the number of broadband subscribers in Japan reached over 26 million in 2007. Currently DSL is dominating the broadband market, but its growth is in a downward trend, while FTTH (fiber-to-the-home) is increasing. The Nomura Research Institute predicts that by 2009 the FTTH market will reach $3.7 billion and the DSL market will be $4.4 billion.

Senior Market

Japanese society is aging quickly. The population of those 65 years and older has doubled in the past 2 decades to 27.18 million. The average household savings of Japanese older citizens is roughly $180,000. According to the Japan External Trade Organization (JETRO), Japanese over the age of 60 tend to spend a great deal on medical care, home remodeling and travel. As the elderly population increases, they will create lucrative markets not only for medical or welfare products and services, but also for leisure products and activities that add to the quality of life.

In addition, the U.S. Commercial Service in Japan has identified the following specific sectors as representing significant opportunity for U.S. exporters.

- Computer Software
- Cosmetics and Toiletries
- Study in the USA
- Electronic Components
- Medical Equipment
- Pharmaceuticals
- Telecommunications Equipment
- Travel and Tourism

Computer Software

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	2005	2006	2007
Total Market Size	150,774	166,489	175,813
Total Local Production	147,074	162,519	171,813
Total Exports	800	980	1023
Total Imports	4500	4950	5166
Imports from the U.S.	4050	4455	4650

Unit: millions of U.S. dollars
Source: unofficial CS Japan estimates

The average growth rate for Japan's total packaged software market is 4% but the growth rate varies among software categories. Security software, for example, is growing at 20% due to increased security awareness among businesses and implementation of the Japanese version of the Sarbanes-Oxley Act (J-SOX). Virtualization software is also surging at a 39.8% growth rate according to IDC.

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Security software and virtualization software.

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The demand for distinctive U.S. software, especially for security and virtualization software, is high. Game software consistently makes up approximately 50% of the total market, however, users are gradually shifting from packaged software to online games for home computers and mobile phones.

Tokyo Game Show 2008 (9/20-23, 2008)
http://expo.nikkeibp.co.jp/tgs/2007/english/index.html

There are three key elements to launching software products into the Japanese market: (1) localization – Japanese translation, testing, and customization are essential for all software products. Software suppliers should also consider Japanese business customs and culture to meet local client needs; (2) support capability – support in the Japanese language is a must; and (3) product quality – high quality control is one of the most important considerations for Japanese users.

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Computer Software Association of Japan (CSAJ): http://www.csaj.jp/english/

Japan Information Technology Services Association (JISA)
http://www.jisa.or.jp/english/index.html

CS Japan Contact: Rika Saito (Tokyo): Rika.Saito@mail.doc.gov

Cosmetics / Toiletries Market (COS)

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(Millions of U.S.$)	2004	2005	2006
Total Market Size	14,618	15,158	14,312
Total Local Production	13,845	14,420	13,718
Total Exports	710	747	828
Total Imports	1,483	1,485	1,422
Imports from the U.S.	375	355	312

(Note: Japan Cosmetics Industry Association, Cosmetics Importers Association of Japan)

In yen terms, the overall Japanese cosmetics market in 2006 was approximately 1,664.6 billion yen, compared to 1,669.1 billion yen in 2005. Because of the yen/US dollar exchange rate fluctuations, (116.34 yen/dollar in 2006 versus 110.12 yen/dollar in 2005), the market size decreased to US$14,312 million in dollar terms. Japan's cosmetics imports increased in yen terms by 1.15% to 1,655.4 billion yen (US$1,422 million).

Imports accounted for 9.9 percent of the domestic market in 2006, compared to 9.8 percent a year earlier. France and the United States remained the top suppliers; however, cosmetics imports from the two countries decreased to 55.3 percent of total cosmetics imports in 2006, from 56.5 percent in 2005 and 69.0 percent in 2004. China ranked a distant third (9.0 percent) after the United States (21.9 percent) in 2006.

Japanese cosmetics consumers are known to be highly brand and quality conscious. In addition, consumers in Japan are very particular about the design and finishing touches (quality) applied to packaging. Also, their needs and tastes may change with seasonal trends and fashion changes. Thus, in order to cultivate and attract consumers, new foreign brands may need to invest in developing brand awareness, as well as in user education. Some cosmetics importers suggest that they are not interested in taking a look at a new product or brand presented to them unless the product is sharp looking and has an attention getting "story" to tell (i.e., how the concept has been developed, famous people who use it, unique characteristics, etc.). This is because consumers do not just buy a cosmetics product, but they buy the total value—or total appeal-- of the product. Well-known celebrity endorsements, not always, but often, may contribute to a successful launch, industry sources suggest.

Best Products/Services

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Japanese consumers' interest in beauty and health continues to be high. Personal presentation and use of skin/personal care products are also becoming more popular with Japanese men, ranging from teenagers to the Japanese baby boomer generation.

The products that can be best prospects are shown below:

Skin care cosmetics, such as anti-aging, skin lightening, and skin moisturizing cosmetics. Japanese consumers are traditionally more interested in skin care than make-up and fragrances. The skin care group accounts for the largest share, a striking contrast to western countries where the make-up preparations have the largest share.

Men's cosmetics including skin care items. No official data is available about the shipment of men's cosmetics; however, one research firm estimates that the retail sales of men's cosmetics accounts for only 4-5 percent of the total cosmetics sales in Japan or in the US$1 billion range compared to total of cosmetics sales of US$19-20 billion. Nevertheless, the Western concept of "metrosexual(ity)" has been catching public attention in Japan recently, triggered by the US's "metrosexual" phenomena in the cosmetics and apparel industries in 2003. Whether "metrosexual" or not, both the younger generation as well as business executives have begun to use more personal grooming products. Traditionally, men's skin care products meant mainly shampoos and hair conditioners and styling products. Today, men's cosmetics on the market include cleansing foam, toning lotion, moisturizing emulsion, skin revitalizer, anti-shine refresher, deep cleansing scrub, hydrating lotion, eye soother, tanning lotion, fragrance, and so forth. Products targeted for the young generation such as in the 20-30's are expected to show moderate growth in the coming years.

Opportunities

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Event:	The 65th Tokyo International Gift Show
Date:	February 5-8, 2008

Venue: Tokyo International Exhibition Center
URL: www.giftshow.co.jp/

Event: Japan Drugstore Show 2008
Dates: February 29-March 2, 2008
Venue: Makuhari Messe (Nippon Convention Center) International Hall
URL: www.drugstoreshow2008.jp/english.html

Event: Beautyworld Japan
Dates: May 19-21, 2008
Venue: Tokyo International Exhibition Center
URL: www.dietandbeauty.jp

Event: The 66th Tokyo International Gift Show
Dates: September 2008
Venue: Tokyo International Exhibition Center
URL: www.giftshow.co.jp/

Event: Natural Products Expo Japan 2008
Dates: September 24-26, 2008
Venue: Tokyo International Exhibition Center
URL: www.naturalproductsexpo.jp

Event: Beautyworld Japan West
Dates: October 6-8, 2008
Venue: Intex Osaka
URL: www.mesago-messefrankfurt.com

Resources

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CS Japan Contacts: Chris Yoshiyuki Ono (Tokyo) Chris.Ono@mail.doc.gov

Japan Cosmetics Industry Association www.jcia.org
Cosmetics Importers Association of Japan www.ciaj.gr.jp
Japan Nailist Association www.nail.or.jp
Personal Care Products Council (f/k/a Cosmetics, Toiletry and Fragrance Association or CTFA) www.personalcarecouncil.org

Study in the USA

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	2005/2006	2006/2007	2007/2008
Total Market Value*	925	878	n/a
Int'l students in U.S.**	564,776	582,984	n/a

Japanese students in U.S.**	38,712	35,282	35,000 (estimate)

*Japanese student expenditures in the U.S. in millions of dollars
**Number of students
Source: Unofficial CS Japan estimates

In 2006/2007, a total of 582,984 international students studied in the United States, of which 35,282 were Japanese students. This was a drop of 8.9% from the previous year. However, the United States has been and still is the most popular destination for academic programs. In terms of the number of students studying in the United States, Japanese students ranked fourth after students from India, China and South Korea. International students contribute approximately USD 14.5 billion dollars to the U.S. economy through their expenditure on tuition and living expenses.

Sixty-three percent of Japanese in the United States are enrolled in undergraduate programs, and 20 percent are in graduate programs. This is in sharp contrast to Chinese and Indian students, of which only around 15 percent enroll in undergraduate programs. In addition to the 35,282 students noted above, tens of thousands of Japanese go to the United States for short-term language studies. Due to demographic trends in Japan, the number of college age individuals has been decreasing steadily.

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Interest in two-year colleges remains strong, especially for schools with lower TOEFL requirements. Graduate studies in the United States are also becoming more attractive to Japanese students. The recent launch of MBA programs by Japanese universities may affect Japanese interest in MBA programs abroad. With the post-World War II “baby boomers” retiring in 2007-2009, it is likely that a good number of new retirees will be interested in two-week to one-year study programs abroad.

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Event: U.S. University Fairs (IIE Fairs)
Dates: October 19-20, 2008 (tentative)
Web: www.iiehongkong.org/fairs.htm

Resources Return to top

CS Japan Contact: Ms. Mieko Muto (Tokyo): Mieko.Muto@mail.doc.gov

Electronic Components

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	2005	2006	2007 (estimated)
Total Market Size	25,910	28,587	24,316
Total Local Production	39,498	40,966	41,212
Total Exports	34,062	35,655	39,934
Total Imports	20,474	23,276	23,038
Imports from the U.S.	3970	4672	3843

Unit: millions of U.S. dollars
Source: Japan Electronics and Information Technology Industries Association

Japan's electronic components market is the world's second largest and is a leading sector for U.S. export opportunities. The Japanese market continues to show potential from steady demand for digital home appliances, such as flat panel display TVs, DVD players & recorders, portable music players, game consoles and 3G & 3.5G cellular phones.

U.S. exporters should note that because offshore production by Japanese consumer electronic companies is growing rapidly, electronic component exports from Japan to those production centers (such as in China) are outpacing local production in terms of growth. As a result, the total market size appears to be decreasing. Japanese consumer electronics manufacturers' share of world production, however, remains high (Video Camcorders: 86%, Car Audio & Navigation Systems: 59%, TVs: 39%, according to JEITA) and, therefore, Japan should still be considered a very important market for U.S. suppliers.

Best Prospects/Services

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Semiconductors and embedded software for digital home appliances, electronic devices for next generation mobile broadband, such as WiMAX.

Opportunities

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Event:	CEATEC 2008 (Digital Consumer Electronics and Telecommunications)
Date:	September 30 - October 4, 2008
Venue:	Makuhari Messe/ Nippon Convention Center
Organizers:	Japan Electronics and Information Technology Industries Association; Communications and Information Network Association of Japan; Computer Software Association of Japan
Website:	http://www.ceatec.com

Event:	FPD International 2008
Date:	October 29 - 31, 2008
Venue:	Pacifico Yokohama
Organizers:	Nikkei Business Publications SEMI (Semiconductor Equipment and Materials International)
Website:	http://expo.nikkeibp.co.jp/fpd/index.html

Event:	Semicon Japan 2008
Date:	December 3 - 5, 2008
Venue:	Makuhari Messe/ Nippon Convention Center
Organizer:	SEMI (Semiconductor Equipment and Materials International)
Website:	http://wps2a.semi.org/wps/portal

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CS Japan Contact: Toshihiro Matsuda (Tokyo): Toshihiro.Matsuda@mail.doc.gov

The Japan Electronics and Information Technology Industries Association (JEITA)
http://www.jeita.or.jp/english/index.htm

Japan Electronic Product Importers Association (JEPIA)
http://www.jepia.gr.jp/eindex.html

Distributors Association of Foreign Semiconductors (DAFS): http://www.dafs.or.jp/

Medical Equipment

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	2005	2006	2007 (estimated)
Total Market Size	19,172	20,416	19,122
Total Local Production	14,277	15,261	15,379
Total Exports	4296	4595	4630
Total Imports	9191	9750	8373
Imports from the U.S.	5395	5850	5265

Unit: millions of U.S. dollars
Sources: Yakuji Kogyo Seisan Dotai Tokei (annual statistics on production of pharmaceuticals and others), Ministry of Health, Labor and Welfare (MHLW), for 2005. Figures for 2006 and 2007 are unofficial CS Japan estimates

Japan continues to be the most important export destination for U.S. medical devices, representing the second largest market in the world for these products, after the U.S. In 2006, the Japanese market for medical devices and materials was estimated to be just over USD 20 billion. Total imports accounted for approximately 48 percent of the market. U.S. products represented around a 60 percent share and accounted for 29 percent of Japan's total device market, valued at more than USD 5 billion.

While the market for U.S. medical equipment in Japan remains strong, the revision of the Pharmaceutical Affairs Law (PAL) in April 2005 and the Government of Japan's efforts to contain overall healthcare costs has created a challenging environment for U.S. firms. Japan will continue using the Foreign Average Price (FAP) Rule to narrow foreign price differentials. At the National Health Insurance (NHI) price revision, which will go into effect in April 2008, Japan will reduce reimbursement prices for new devices to 1.7 times the average price of devices in the United States, Britain, France, and Germany from the current 2.0. The Japanese Government is expected to continue focusing on reducing medical device prices in order to counterbalance increasing healthcare expenditures resulting from Japan's aging society.

On the positive side, Japan has been taking measures to reduce the "device lag" (lengthy approvals process). In 2006, Japan established a study group to consider faster approvals for medical devices and in-vitro diagnostics that are generally available in the United States and Europe but not yet in Japan. Also, since December 2003, Japan and the U.S. Food and Drug Administration have been working on "Harmonization by Doing (HBD)", an international effort to develop global clinical trials and address regulatory barriers that may be impediments to timely device approvals. HBD is currently addressing global cardiovascular device trials in one of its working groups.

Japanese medical device importers continue to be extremely conservative when selecting new partners or devices to import due to regulatory issues such as the lengthy approvals process.

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Given Japan's aging population, with an increasing number of patients with chronic, life-style diseases (such as diabetes), medical devices to treat age related diseases should show steady growth in demand. Devices that show promise include equipment to assist biofunctions such as pacemakers, cardiac valve prosthesis and orthopedic implants. Due to a lack of local manufacturers in these areas, such products will continue to be promising for U.S. firms in the foreseeable future. Other areas of projected strong demand include advanced diagnostic imaging equipment such as high-end MRI, CT/PET, PET, and digital radiography. Favorable changes in the reimbursement system and political climate may spur new growth in advanced diagnostic imaging technologies. New leading edge medical devices will also have good market prospects.

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Event: International Modern Hospital Show 2007 (IMHS2007)
Dates: July 16-18, 2008
Venue: Tokyo Big Sight
Web: www.noma.or.jp/hs/index-e.html
Products: Healthcare equipment, medical devices and materials, nursing care-related devices and health care information systems.

Event: HOSPEX Japan 2008
Dates: November 12-14, 2008
Venue: Tokyo Big Sight
Web: http://www.jma.or.jp/CONVENTION/en/
Products: Hospital and welfare facilities, medical treatment equipment, medical information systems, and healthcare/welfare support equipment and related devices

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CS Japan Contact: Mr. Hiroyuki Hanawa (Tokyo): Hiroyuki.Hanawa@mail.doc.gov

Ministry of Health, Labor and Welfare (MHLW): www.mhlw.go.jp/

Pharmaceutical and Medical Device Agency: www.pmda.go.jp/

Advanced Medical Technology Association (AdvaMed): www.advamed.org/

Medical Devices and Diagnostics Subcommittee: www.accjmedtech.com/

Japan Federation of Medical Device Associations: www.jfmda.gr.jp/

Pharmaceuticals

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	2005	2006	2007 (estimated)
Total Market Size	69,794	66,589	64,759
Total Local Production	58,042	54,260	52,208
Total Exports	1135	1083	1061
Total Imports	12,887	13,412	13,612
Imports from the U.S.	1544	1874	1902

Unit: millions of U.S. dollars
Sources: Yakuji Kogyo Seisan Dotai Tokei (annual statistics on production of pharmaceuticals and others), Ministry of Health, Labor and Welfare (MHLW), for 2005. Figures for 2006 and 2007 are unofficial CS Japan estimates.

Japan continues to be the most important destination for U.S. pharmaceuticals, representing the second largest market in the world after the U.S. Japan's imports of foreign pharmaceuticals account for approximately 20 percent of the total market, yet the actual figure would be closer to 45 percent if local production by foreign firms and compounds licensed to Japanese manufacturers were included. Allowing for that, American pharmaceutical firms have actually achieved a market share approaching 20 percent according to a representative of the U.S. pharmaceutical industry.

The Government of Japan (GOJ) is proposing various measures to enhance the competitiveness of the Japanese pharmaceutical industry. In 2007, Japan set goals to reduce the period from drug development to approval by two and a half years (by 2011), improve the regulatory system by more than doubling the staff of drug reviewers (by 2010), promote drug clinical trials, and stimulate the development of vaccines. Also, in 2007, Japan extended the standard length of the reexamination period for new drugs from six years to eight years, which in turn extends the data protection period. Japan will continue taking measures such as raising premium rates to reward innovation.

While these are positive developments, Japan's efforts to contain overall healthcare costs, combined with its aging society, will continue to create a challenging environment for U.S. firms. In its FY 2008 National Health Insurance (NHI) drug price revision, Japan will expand the range of drugs to be re-priced following market expansion. Also, a proposal to double the frequency of price revisions from biennial to annual is still on the table.

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In 2007, the Ministry of Health, Labor and Welfare (MHLW) issued a policy paper titled "New Vision for the Pharmaceutical Industry". In the paper, MHLW cited anti-cancer drugs as one area that will have good growth prospects in the years ahead. Another area with growth potential is vaccines. Also in 2007, MHLW issued a policy paper titled "Vision for the Vaccine Industry." This paper recognizes the need for Japan to develop a system for vaccine R&D that promotes the development of new vaccines and recognizes the fact that disease prevention (though vaccination) can reduce the public's financial burden by limiting growth in national healthcare spending. The Japanese government will further promote the use of generic drugs to ease the cost burden on the healthcare system.

Opportunities

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Event:	CPhI Japan 2008
Dates:	April 9-11, 2008
Venue:	Tokyo Big Sight
Web:	www.cphijapan.com
Products:	Active pharmaceutical ingredients, contract manufacturing, biotechnologies, additives, fine chemicals, and intermediates.

Event:	INTERPHEX JAPAN
Dates:	July 2-4, 2008
Venue:	Tokyo Big Sight
Web:	www.interphex.jp
Products:	Raw materials, additives, materials processing machinery and equipment

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CS Japan Contact: Mr. Hiroyuki Hanawa (Tokyo): Hiroyuki.Hanawa@mail.doc.gov

Ministry of Health, Labor and Welfare (MHLW): www.mhlw.go.jp/

Pharmaceutical and Medical Device Agency: www.pmda.go.jp/

Pharmaceutical Research and Manufacturers of America: www.phrma-jp.org/

The Japan Pharmaceutical Manufacturers Association: www.jpma.or.jp/

Telecommunications Equipment

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	2005	2006	2007 (estimated)
Total Market Size	34,096	34,415	31,995
Total Local Production	34,200	33,681	31,244
Total Exports	4489	4474	4575
Total Imports	4385	5208	5326
Imports from the U.S.	481	532	544

Unit: millions of U.S. dollars
Sources: Communications and Information Network Association of Japan; unofficial CS Japan estimates

In 2006, competition among mobile carriers intensified due to the launch of Mobile Number Portability (MNP). This increase in procurement for handsets and base stations drove the market. For 2007, the total market size decreased given the maturity of the mobile phone market. The Next Generation Network (NGN) related market, however, is emerging.

The International Telecommunication Union (ITU) defines NGN as "a packet-based network able to provide services including telecommunication services and able to make use of multiple broadband and QoS-enabled transport technologies." The demand for optical access equipment and routers/LAN switches is expected to increase steadily from the development of NGN as well as from Fiber-to-the-Home (FTTH). Overall, an upward trend is expected as the telecom equipment industry moves forward from triple play networks (voice/internet/TV) to quarto play (triple play plus mobile) over the next five years.

Best Products/Services

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IP network related equipment, optic access equipment.

Opportunities

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Interop Tokyo, June 11 - 13, 2008
http://www.interop.jp/english/index.html

CEATEC Japan, September 30 - October 4, 2008
http://www.ceatec.com/2008_pre/en/index_en.html

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CS Japan Contact: Rika Saito (Tokyo): Rika.Saito@mail.doc.gov

Travel and Tourism

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	2005	2006	2007 (est)
Total Market Size	221,597	202,046	199,593
Total Outbound Market	45,409	37,830	38,224
U.S. Share of Outbound Market	16,524	14,592	14,154
Number of outbound travelers	17.4 million	17.5 million	17.3 million
Number of outbound travelers to the U.S.	3.88 million	3.67 million	3.56 million

Unit for market data: millions of U.S. dollars
Sources: U.S. Department of Commerce, Office of Travel and Tourism Industries, GOJ Ministry of Justice, Tourism Industry Association of Japan, JTB News Release, unofficial CS Japan estimates

Note: Japanese market size includes spending on day trips and overnight trips, and spending on travel guidebooks, travel insurance, passport fees and costs for photos.

For many years, Japan was the largest overseas travel and tourism market for the United States. However, immediately following the September 2001 terrorist attacks on the World Trade Center in New York, Japanese outbound travel dropped considerably, especially to the United States. A far greater drop occurred in 2003 because of concerns raised by the SARS epidemic and the Gulf War. Since 2001, the recovery in Japanese outbound travelers to the United States has been slow compared to Japanese travel to other countries. Nevertheless, Japan is still the number one inbound market for the United States, in terms of receipts spending, followed by Canada and the United Kingdom.

The United States continues to be one of the most popular destinations for Japanese travelers, many of who are repeat visitors. Last year, over 70 percent of repeat travelers visited the U.S. mainland, 67 percent went to Hawaii and 49.6 percent visited Guam (including Saipan). Europe aggressively competes with the U.S. as a long-haul destination for Japanese tourists, especially for first-time travelers. Short-haul destinations, continue to be popular with Japanese tourists. For example, South Korea and China combined received more than 30 percent of all outbound Japanese travelers in 2006.

Although there are no significant indicators pointing to a sudden increase in the number of Japanese outbound travelers, the Japanese travel industry has high expectations that baby boomers, born between 1947 and 1949 (approximately 6.7 million people), will begin to travel overseas in their free time. Baby boomers will began retiring in 2007 and will continue through 2009. This generation grew up with strong influences from American music, film and TV. As a result, this generation, especially Japanese males, have a favorable impression of American lifestyle and culture. These baby boomers have time and money to spend on leisure travel, which is the best match for long-haul destinations like the United States.

For the market as a whole, package tours are still the most popular method of booking travel and account for 50.7 percent of all travel arrangements, whereas individually arranged travel accounts for 38.2 percent. However, individuals book 64.4 percent of all travel to the U.S. mainland, with package tours accounting for just 22.7 percent of that total. For Hawaii and Guam, package tours are still the major travel method, accounting for 66.9 percent of all Hawaii bookings and 72.5 percent for Guam (including Saipan).

While a majority of Japanese travelers still enjoy nature and scenery, shopping, gourmet food, history and culture, some travelers have a more specific purpose for their travel, such as attending sports events or visiting spas. In Japan, these individuals are called Special Interest Tourists, or SITs. The number of Japanese SIT travelers has been increasing over the past few years. The number of Free Independent Travelers (FITs) is also increasing and many of Japan's FIT travelers are also SIT travelers since most package tours do not satisfy SIT/FIT travelers' specific needs. Also, SIT/FIT travelers tend to prefer keeping itineraries open and unfixed for better flexibility to pursue their individual interests. For travel agencies, flexibility, special offers, and SIT/FIT packaging will be key to attracting this group of travelers.

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Themed packaged tours will attract both group and SIT/FIT travelers. The following are examples of themes that will appeal to Japanese travelers:

-- Spa/relaxation/healing experience
-- Spectator sports such as baseball and basketball
-- Sports activities such as golfing, hiking, fishing, driving, and other outdoor sports

-- Hobby tours such as quilting, photo taking, drawing, dancing, etc.
-- Visits to film/drama locations/scenes with which Japanese are familiar
-- Special event tours for meeting celebrities who are well-known in Japan
-- Tours to see natural events such as auroras, colored leaves, etc.

Opportunities Return to top

Event:	JATA World Travel Fair 2008 - Discover America Pavilion
Dates:	September 19-21, 2008
Venue:	Tokyo Big Sight
E-mail:	m-sato@jata-wtf.com
Web:	www.jata-wtf.com/index.php?lang=en
Products:	All travel and tourism products (airlines, hotels, packages, etc.), destination information

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CS Japan Contact: Ms. Tamami Honda (Tokyo): tamami.honda@mail.doc.gov

Japan Visit USA Committee: www.japan-usa.co.jp

Travel Industry Association of America Japan Office: www.tia.org

Overseas Tour Operators Association of Japan: www.otoa.com/english/

Agricultural Sector Return to top

The United States remained Japan's top supplier of farm products, with a 21 percent market share in 2007. However, China, Latin America, Australia and Thailand have grown as strong competitors for the United States. U.S. farm exports to Japan increased 15.8 % in CY 2007 to USD 11.6 billion, a 15% increase from CY 2006. The high international prices for coarse grains, soybeans, and wheat along with the reintroduction of U.S. beef into the Japanese market accounted for most of this increase. At 39%, the Japanese food self-sufficiency rate is the lowest of all industrialized countries, compared to the U.S. rate of 126%. The Japanese also spend a very high percentage of their income on food (almost 26% compared to 13% in the United States). In 2006, the value of Japan's consumer food and beverage market was USD 557 billion. For complete agricultural statistics, please visit the web site of the U.S. Department of Agriculture's Foreign Agricultural Service at www.fas.usda.gov/ustrade.

Opportunities exist for a range of agricultural products, in particular, processed and consumer ready food products. For U.S. companies to tap into this dynamic market, they should be aware of several key factors affecting food purchase trends. These factors are a rapidly aging population, diversification of eating habits, emphasis on high quality, increasing demand for convenience, and food safety concerns. Exporters interested in the Japanese market should make note that three of the biggest annual food related trade shows in Japan and all of Asia are: Foodex Japan, International Food Ingredients & Additives Exhibition and Conference (IFIA) Japan, and Health Ingredients (HI) Japan.

Japan's population is aging faster than any other country in the world. According to Japan's National Institute of Population and Social Security Research, by 2010 23 percent of the population will be over 65 years of age. Coupled with the fact that Japanese life expectancy is the highest in the world, there is a strong demand for "healthy foods." Such concepts as "functional foods" are well understood, and many products certified by the Ministry of Health, Labor and Welfare as FOSHU (Food for Specific Health Use) are commonly consumed. Food products that are seen to have some health benefit, for example lowering cholesterol or containing a high level of antioxidants, have an advantage in Japan.

Since the 1960's, the Japanese diet has become dramatically westernized. Rice and tofu-based products have been replaced by meat and dairy as the main source of protein. For example, per capita protein consumption of rice fell from 32% in 1960 to 12% in 2005 while per capita protein consumption of meat went from 5% in 1960 to 17% in 2005. Per capita protein consumption for dairy products also increased from 3% in 1960 to 10% in 2005.

In addition to the popularity of western food, food trends have recently become more complex. Various ethnic foods are also becoming popular and are often combined with Japanese cuisine creating "fusion" foods. Another aspect of diversification is the trend of "individual eating", or convenience foods. Because of the busy, fast paced lifestyle of modern Japanese, it has become less common for all family members to eat together. "Individualization" of eating makes convenience an essential factor. Microwave (or semi- prepared) food and Home Meal Replacement (HMR) cuisine has become an indispensable part of life and are sold in supermarkets, restaurants and convenience stores such as 7-Eleven and Lawson's that are now found all over Japanese cities.

Economic stagnation and declining income have made people more price-conscious than in the past, however quality continues to be the most crucial factor in food purchasing decisions. Food safety has also become an important consideration for most Japanese consumers, who are more sensitive to perceived risk than the average American consumer.

The retail sector remains the focus of U.S. investment in Japan's food industry. Wal-Mart now owns 54% of Seiyu, which is the third largest Japanese supermarket in terms of food sales. U.S. investment in Japan's agricultural sector is limited to a few large-scale ventures in the livestock and grain sectors.

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Statistics on U.S. agricultural exports: www.fas.usda.gov/ustrade
USDA/FAS reports: www.fas.usda.gov/scriptsw/attacherep/default.asp
U.S. food-related info: www.myfood.jp
Japanese Ministry of Agriculture, Forestry, and Fisheries: www.maff.go.jp/eindex.html
Japanese Ministry of Health, Labor, and Welfare: www.mhlw.go.jp/english/index.html

Trade Shows:

Foodex Japan:
www.imexmgt.com/index.cfm?fuseaction=calendar.factsheet&showid=189

IFIA Japan 2008: www.ejkrause.com/ifiajapan/

Health Ingredients Japan: www.hijapan.info/en/